



# CITY OF LONG BEACH R-10

OFFICE OF THE CITY MANAGER

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June 16, 2015

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Receive a report on the Tidelands Capital Budget, and approve the 5-Year Capital Plan and prioritization of projects. (Districts 2, 3)

## DISCUSSION

On December 31, 2014, staff provided a memorandum (Attachment A) to the City Council indicating that the changing price of oil required a revised strategy for the Tidelands Capital Budget and a 5-year Capital Plan. The Tidelands Capital Budget is funded entirely from oil revenues, and the low price of oil has greatly reduced the oil revenue that the City can rely on receiving.

On February 3, 2015, the City Council approved nine (9) criteria for evaluating Tidelands Capital projects (Attachment B) and directed staff to recommend how to allocate available funding based on the criteria, and to present the recommendations to the City Council for review and approval. Attachment C, the 5-Year Capital Plan and Prioritization of Projects, list the projects that are being proposed for prioritization. Attachment D lists the prioritized projects that are awaiting funding.

This matter was reviewed by Deputy City Attorney Linda Vu on May 27, 2015 and by Budget Management Officer Victoria Bell on May 22, 2015.

## TIMING CONSIDERATIONS

City Council action on this matter is requested on June 16, 2015 to allow Tidelands Capital Improvement Division staff to advance approved projects to the next stages in the development process.

## FISCAL IMPACT

All of the projects subject to prioritization were previously approved by the City Council. The suggested action aligns available funding with proposed projects. Currently, a total of \$95,426,781 in Tidelands Operating Funds (TF 401) is available for allocation for prioritized projects, which consists of an estimated amount that can be reassigned from budgeted projects and funds available in TF 401. Additionally, there are a few ongoing Tidelands Capital Improvement Division projects that were not included in the prioritization process,

HONORABLE MAYOR AND CITY COUNCIL

June 16, 2015

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as they were projects that were already underway prior to the prioritization process and are planned for completion in the near future. By approving the recommendation, the Tidelands Capital Plan will be updated. As new funding becomes available, staff will recommend additional projects to fund through a similar prioritization process, including projects from Attachment D, and other projects on the Master Needs List. The project cost estimates have been updated to account for increases, such as construction cost escalation, updated scope of work, project labor agreement compliance, and other necessary expenses.

**SUGGESTED ACTION:**

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST  
CITY MANAGER

Q:\Tidelands Capital Projects\City Council\06-16-2015 Staff Reports\Prioritization  
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**Attachments:**

- Attachment A – December 31, 2014 Memorandum: Strategy for the Tidelands Capital Budget and 5-Year Capital Plan
- Attachment B – February 3, 2015 Staff Report: City Council Approved Prioritization Criteria
- Attachment C – 5-Year Capital Plan and Prioritization of Projects
- Attachment D – Projects Awaiting Funding





**City of Long Beach**  
Working Together to Serve

## Attachment A

**Memorandum**

Date: December 31, 2014

To: Patrick H. West, City Manager 

From: John Gross, Director of Financial Management 

For: Mayor and Members of the City Council

Subject: **Strategy for the Tidelands Capital Budget and 5-Year Capital Plan**

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The Tidelands Capital Budget is funded entirely from oil revenues. The price of oil began to decline after July 2014 and has apparently not yet stabilized. On October 8, 2014, staff provided a memo to the City Council stating that the changing price of oil required a revised strategy for the Tidelands Capital Budget and the 5-year Capital Plan, and that a revised strategy would be presented to the City Council by the end of the year. This memo provides the proposed strategy for Tidelands Capital expenditures and provides preliminary information of the impact of the oil price on the Tidelands Operating Budget and the Uplands Oil Fund budget.

In summary, the low price of oil has greatly reduced the oil revenue that the City can rely on receiving. In addition, the unsettled oil markets make predictions of specific levels of oil revenue for the future to be very questionable. It is not clear that any new oil revenues will be available for Tidelands capital projects in the next few years. As a result, the revised strategy recommends that Tidelands capital projects be funded based on a City Council prioritized list of projects, and not from a preset budget that makes assumptions about oil revenue. With regard to the Uplands Oil Fund one-time monies, no one-time monies should be expected for FY 16, and, at present, it cannot be assumed that they will be available in the future. The operating budgets of both Tidelands and Uplands are expected to be impacted by the decline in the price of oil, although by less than the Tidelands Capital Budget has been impacted. The operating budgets will need to be further reviewed for possible adjustments that will occur in the first quarter of 2015.

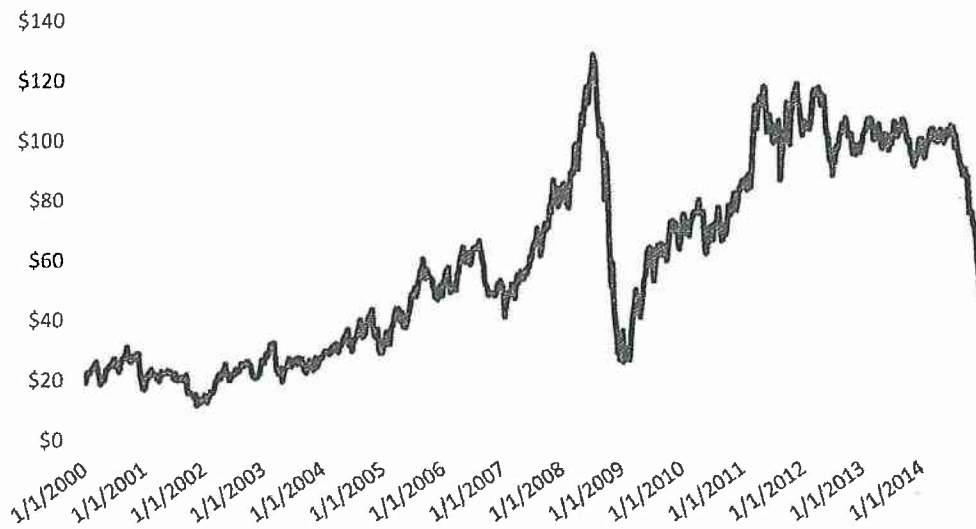
**The FY 15 Tidelands Capital Budget and the 5-Year Capital Plan are based on an assumed price of oil of \$100 per barrel**

Long Beach oil had been at about \$100 per barrel for close to three years. The 2015 Tidelands Capital Budget and 5-Year capital plan assumed the price of oil would remain at least at \$100 and identified projects that would be funded at that price. The operating budget is based on an assumed price of oil of at least \$70 per barrel and the production costs and oil exploration levels that existed at the time the budget was prepared. The price of oil is currently at approximately \$50 per barrel and production levels and exploration levels are changing. As a result, both the capital and operating budgets are impacted by the price of oil and the oil market as described below.

**Since the end of July, the price of oil has declined sharply and there is no indication that the price of oil will be increasing in the near term**

After the end of July 2014, the price of oil began to decline. As of mid-December the price of oil had declined from \$100 per barrel, in July, to \$50 per barrel. Key drivers for the lower price are low demand and high production by the OPEC nations, by non-OPEC producers, and by the United States. The change to the oil market is a reminder that the price of oil is unpredictable. While there is no current indication that the price of oil will increase in the foreseeable future to the budgeted \$100 per barrel (for capital), the price of oil could increase at any time, it could continue to decline, or it could stabilize at some level. The price of oil has shown frequent oscillations and occasional sharp drops. It dropped sharply in 2009. The price of oil was relatively stable for the last three years, and then began a sharp decline in mid-2014 with an uncertain future. Following is a chart showing the price of oil over the last 14 years (pricing in 2014 goes to 12/22/14).

**Wilmington Oil Price 2000-2014**  
\$ per barrel



**Oil revenues to Tidelands will decrease substantially, but how much remains uncertain**

In large part, the oil revenues the City receives in the Tidelands Fund depend on the price of oil. However, there are two other interrelated factors that also impact the revenue received by the City - the amount of oil produced (production) and production costs. Production costs include exploration and drilling costs, not just the immediate cost of extracting oil from the ground. These three factors are all impacted by the unpredictable oil market. Normally, Tidelands oil revenue increases when prices rise and revenue declines when prices drop, but in the short-term, the interplay among the three factors can cause

the reverse to happen, e.g., Tidelands oil revenue can fall for a time as the price of oil increases. In addition, the interplay of the factors impacting City oil revenue causes the oil revenue the City receives at a \$70 price in the current oil market to be significantly different from the revenue the City received from a \$70 price in the market that existed for recent previous budgets.

Oil prices are likely to be significantly higher at some point in the future. However, it is not predictable that Tidelands oil revenue will substantially increase in the next few years. Most market participants do not predict substantial increases in the next few years. Regardless of the uncertainty, it is essential to provide a baseline revenue projection for purposes of developing the revised strategy for the Capital Budget and 5-Year Capital Plan. That is described in the following paragraph; but it is important to consider that the projection is based on the current market and, at some point, it is certain that the current market conditions will change.

To understand what might happen to Tidelands oil revenues in FY15 and the future, based on current market conditions, staff developed and reviewed a number of different multi-year revenue projection scenarios using various oil prices, and various possible production levels and production costs. All projections show a major drop in oil revenue compared to the assumptions on which the FY 15 Tidelands Capital Budget and 5-Year Capital Plan was based. There is a wide range of possible revenue outcomes given the uncertain and constantly changing market conditions and decisions. Staff looked at market conditions up to mid-December in making the assessment of which market conditions to use for a projection. The market conditions as of the end of November were used. That point in time is an apparent low point in projected revenue given the interplay of all factors impacting City revenue. That low point provides a reasonable and, hopefully, conservative basis for revenue projection.

**No additional oil revenues for capital projects will be available in the immediate future**

Based on the updated revenue projections, no new money for Tidelands capital projects is expected in FY 15 and the current market conditions do not project it for the future. Based on the updated revenue projection, all Tidelands oil revenue may be needed to support the Tidelands Operating Budget, which has a higher priority than the Capital Budget. At some point in the future, market conditions will change and oil revenue funding for capital projects is almost certain to be available. At this point in time, there is no indication of when that will be, but that does not necessarily mean it is far off in the future. The Operating Budget for the Tidelands Fund and for Uplands Oil Fund is discussed later in this memo.

**Substantial accumulated oil funds are available for capital projects**

Even though there may be no new oil money available for Tidelands capital projects for an unknown period of time, there is about \$95 million in a substantial amount of existing funding available. This includes approximately \$73 million in funding available for capital

projects from oil revenue accumulated through FY 14. Most of the money has been allocated to projects, but many of the projects have not yet been started or are in early stages of work. Funding for these projects could be reassigned to projects with a higher priority, if the City Council wished to do so. In addition, there is about \$22 million of unallocated funds available.

**Incomplete/Unconstructed projects total \$232 million**

There is an estimated \$232 million in Tidelands capital projects that have previously been funded through the budget or planned over the next five years by the City Council and that are incomplete or uncommitted for construction. These include such major projects as the last phases of the Alamitos Bay Marina Rebuild, several phases of the Seawalls, the Belmont Beach and Aquatics Center, the Rainbow Lagoon, Belmont Pier, the Pine Avenue Public Dock and many other smaller projects. As previously described, there is an estimated \$95 million available for these \$232 million in incomplete or unconstructed projects. Some of the cost estimates for these projects may be outdated, as they were often done before complete engineering and design, and do not include any cost inflation that may have occurred since the estimate was done. Inflation on construction projects typically is 3 percent to 6 percent a year. The following chart summarizes that status. The negative \$5 million for the FY 15 Budget represents the amount that must be reallocated to fund a restoration phase of the Colorado Lagoon that is required by the California Coastal Commission.

**Tidelands Capital Project Summary**  
**Incomplete/Unconstructed Projects and Potential Funding Reassignment**  
 (In millions of \$)

Capital Projects	\$ Value of Incomplete or Uncommitted Projects	Estimated \$ That Could be Reassigned
Previously funded projects (through 2014)	79	78
FY15 Budget and Capital Plan (2015-2019)	153	(5)
Funding from Funds Available		22
<b>Total</b>	<b>232</b>	<b>95</b>

The list of Tidelands capital projects that are incomplete or have not started construction is provided in Attachment A. The project list and the amounts shown for the available funding are preliminary. The information will be updated in the next few weeks.

### **Projects should be prioritized for funding**

The shortfall in current funding and the lack of certainty of when additional funding will become available, necessitate a new strategy for the Tidelands Capital Budget and 5-Year Capital Plan. That strategy prioritizes the outstanding Tidelands capital projects and then assigns all currently available funding to those projects, in priority order, up to the funding level for each project as determined by the City Council. As additional oil revenues are received, the new funding is also assigned to projects in the same priority order. The prioritized list becomes the revised Tidelands Capital Plan. This strategy is a substantial improvement over a standard budget practice in this particular situation. Standard budget practice does not take into account the extreme uncertainty of the oil funding, nor does it allow for reprioritizing of projects based on the new information on oil revenues that is now available. Details of the proposed revised strategy follow.

### **Proposed Strategy for the Tidelands Capital Budget and 5-Year Capital Plan**

1. Tidelands capital projects are prioritized by the City Council for determination of timing of funding
  - The projects to be prioritized include all City Council approved projects, including those budgeted, reserved, and in the 5-Year Capital Plan.
  - Prioritization will be based on criteria agreed upon by City Council (Attachment B provides a suggested list of criteria and the prioritization process).
  - Projects may be broken into funding phases for priority setting purposes.
  - Until the prioritization is in place, no Tidelands capital projects will be advanced to a new phase, unless specifically authorized in the interim by the City Council.
2. All funding available for Tidelands capital projects is assigned in priority order
  - Funding includes monies previously assigned to projects but which can be reassigned.
  - Funding includes funds available.
3. Work on any new phase of a project continues only after full funding of the phase occurs, based on the prioritized project list
  - The project (or project phase) is budgeted after funding occurs.
  - Planning and preliminary work on design to position projects for the future construction will continue as an administrative cost from Tidelands operations. Major work on a project will typically not be done unless that work is funded as a priority project phase on the capital project list.
4. Funding projections and project prioritization are reviewed and updated during the annual budget process and more often as appropriate
  - The price of oil and its impacts on oil revenue will be reviewed as part of the annual budget process and as often as necessary.
  - The priority list for Tidelands capital projects will be reviewed and updated during the annual budget process.

This strategy addresses the expected reduction in oil revenue, reallocates to the City Council's top priorities both existing funds and any new oil funding, as received. The strategy works well when additional oil revenue becomes available and also if oil revenue is lower than projected. It is anticipated that a prioritized list of projects and associated funding can be developed before the end of the first quarter of 2015 so that projects that have City Council's priority can proceed.

#### **The Tidelands operating budget is impacted and will be reviewed for reduction**

Even with all Tidelands oil money used to support the operating budget, an operating budget shortfall is anticipated beginning in FY 15. A very preliminary estimate of the shortfall could be on the order of \$1 million to \$2 million with a potentially bigger shortfall in FY 16. However, that projection is subject to material change as more information becomes available. Reductions to the operating budget until oil revenues increase is a good financial practice. However, if the operating shortfall is expected to be relatively short-term in nature, it could be partially funded by the temporary drawdown of Tidelands funds available. The Tidelands operating budget will be reviewed during the first quarter of 2015 for potential changes for both the FY 15 and FY 16 budgets.

#### **The Uplands Oil budget is also impacted and will be reviewed for reduction**

The decline in the price of oil also impacts the Uplands Oil Fund, but the impact is different from the impact on the Tidelands Fund. The Uplands Oil Fund derives about 50 percent of its oil related revenue from a fee on all oil production costs in the Tidelands area. A drop in the price of oil only directly affects about half of the Uplands revenue. However, some reductions in Tidelands production costs have already occurred, and additional reductions are expected in the near future. Because the information needed for an Uplands Oil projection is still substantially changing, a projection of Uplands Oil revenue will be made in the first quarter of 2015. However, it is likely that at the least in FY 16, no one-time oil revenue will be available from Uplands Oil. It also appears likely that the transfer to the General Fund could be adversely impacted by several million dollars.

#### **Next Steps**

The recommended next steps are:

1. Staff presentation to the City Council of the proposed strategy for the Tidelands Capital Budget and 5-Year Capital Plan, review of prioritization criteria, and direction from the City Council. Tentatively, this would occur on January 20, 2015.
2. Development of a preliminary suggested prioritization list of Tidelands projects.
3. City Council review and approval of the prioritized list, as modified by the City Council, before the end of the first quarter of 2015.



4. Revising of the FY 15 Tidelands Capital Budget to reflect those projects that have achieved full funding on the prioritized list.
5. Review of Tidelands and Uplands operating budget and consideration of adjustments.

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ATTACHMENTS

ATTACHMENT A: LIST OF PROJECTS THAT ARE INCOMPLETE OR HAVE NOT YET STARTED CONSTRUCTION  
ATTACHMENT B: PROPOSED PROJECT PRIORITIZATION CRITERIA

CC:

CHARLES PARKIN, CITY ATTORNEY  
LAURA DOUD, CITY AUDITOR  
TOM MODICA, ASSISTANT CITY MANAGER  
JYL MARDEN, ASSISTANT TO THE CITY MANAGER  
CHRIS GARNER, DIRECTOR, LONG BEACH GAS AND OIL  
GEORGE CHAPJIAN, DIRECTOR, PARKS, RECREATION AND MARINE  
ARA MALOYAN, DIRECTOR, PUBLIC WORKS  
MIKE DUREE, FIRE CHIEF  
LEA ERIKSEN, BUDGET MANAGER  
ERIC LOPEZ, TIDELANDS CIP OFFICER

Attachment A

Incomplete/Unconstructed Tidelands Capital Projects

Project Name	Approximate Location	\$ value of Incomplete or Uncommitted Projects	Est. \$ That Could be Reassigned
Breakwater Study: East San Pedro Bay Restoration Reserve	Set aside as partial funding for the feasibility study. Not appropriated.	\$ 2,500,000	\$ 2,500,000
Breakwater Study: East San Pedro Bay Restoration	Funding for feasibility study. Appropriated.	\$ 700,000	\$ 700,000
Beach Parking Lot: Belmont Pool	4500 East Ocean Blvd.	\$ 1,000,000	\$ 1,000,000
Beach Recreation and Concessions Planning and Preliminary Design	South of Bixby Park	\$ 80,000	\$ 80,000
Alamitos Beach Concessions Facility Rebuild	Alamitos Beach Concessions Construction Set Aside	\$ 800,000	\$ 800,000
Beach Restrooms and Concessions: Alamitos Beach B-1 Set Aside	Alamitos Beach	\$ 430,000	\$ 430,000

Project Name	Approximate Location	\$ value of Incomplete or Uncommitted Projects	Est. \$ That Could be Reassigned
Beach Restrooms: Rainbow Harbor Lighthouse	200 Aquarium Way	\$ 600,000	\$ 600,000
Beach Restrooms: Colorado Lagoon CL-S (\$350,000 Reallocation for Belmont Pool or could be reassigned)	5119 E. Colorado St.	\$ 250,000	\$ 350,000
Beach Restrooms: Marina Vista Park MV-1	5399 E Elliot St.	\$ 600,000	\$ 600,000
Beach Restrooms: Marina Vista Park 2N (Entire amount reallocated for Belmont Pool or could be reassigned)	5399 E Elliot St.	\$ 634,000	\$ 634,000
Belmont Pier Critical Repairs and Improvements and Feasibility Study Set-Aside (Provides some money for feasibility study, the remainder could be reassigned)	3920 East Allin St.	\$ 150,000	\$ 150,000
Seaside Way Pedestrian Bridge at Convention Center	300 East Ocean Blvd.	\$ 5,800,000	\$ 5,800,000
Seaside Way Pedestrian Bridge at Convention Center Set Aside	300 East Ocean	\$ 1,500,000	\$ 1,500,000
Seaside Way Pedestrian Bridge at Convention Center	300 East Ocean	\$ 1,215,000	\$ 1,215,000

Project Name	Approximate Location	\$ value of Incomplete or Uncommitted Projects	Est. \$ That Could be Reassigned
Leeway Sailing Center (\$ value of incomplete reflects original budget balance, and understates amount needed to complete project)	5437 East Ocean Blvd.	\$ 1,800,000	\$ 1,800,000
Leeway Sailing Center Dock Improvements	5437 East Ocean Blvd.	\$ 390,000	\$ 390,000
Leeway Pier, Gangway, and Deck House Replacement	5437 East Ocean Blvd.	\$ 1,300,000	\$ 1,300,000
Bayshore Lifeguard Facility Rebuild	Bayshore Ave. and Ocean Blvd.	\$ 400,000	\$ 400,000
Naples Seawalls Phase 2 - Design and Permitting	298 Rivo Alto Canal	\$ 1,000,000	\$ 1,000,000
Peter Archer Rowing Center Dock Repairs and Dredging	5750 Boathouse Lane / Marine Stadium	\$ 180,000	\$ 180,000
Beach Playgrounds and Major Beach Nodes: Basketball Courts near Junipero Parking Lot (Recommended in Local Coastal Program)	Junipero Ave. and Ocean Blvd.	\$ 200,000	\$ 200,000
Beach Playgrounds: Cherry Beach Children's Playground	Cherry Beach at Ocean Blvd. and Cherry Ave.	\$ 1,500,000	\$ 1,500,000
Belmont Pool - Reserve	Not appropriated. For construction set aside.	\$ 43,659,769	\$ 43,659,769

Project Name	Approximate Location	\$ value of Incomplete or Uncommitted Projects	Est. \$ That Could be Reassigned
Bicycle Access Improvements at Ocean/Shoreline	Intersection of Shoreline Dr and Ocean Blvd.	\$ 250,000	\$ 250,000
Lifeguard HQ Facility Renovation Set Aside	Lifeguard Headquarters Assessment	\$ 120,000	\$ 120,000
LED Lighting and Safety Improvements Set Aside	Rainbow Harbor and Queensway Bay	\$ 505,000	\$ 505,000
Pine Ave Pier Public Dock	Pine Ave Pier	\$ 450,000	\$ 450,000
Rainbow Lagoon or Levitt Pavilion Study Set Aside	Rainbow Lagoon Park	\$ 200,000	\$ 200,000
Staircase Rebuild Set Aside	Between Alamitos and 36th Place	\$ 400,000	\$ 400,000
Alamitos Bay Sorrento Trail	Sorrento Street, adjacent to bay.	\$ 500,000	\$ 500,000
Beach Parking Lot at Leeway Sailing Center	5437 E. Ocean Blvd.	\$ 596,500	\$ 596,500
Beach Parking Lot at Marine Stadium	5750 Boathouse Lane	\$ 596,500	\$ 596,500

Project Name	Approximate Location	\$ value of Incomplete or Uncommitted Projects	Est. \$ That Could be Reassigned
Belmont Pier Feasibility Study	3920 East Allin St.	\$ 250,000	\$ 250,000
Bluff Erosion Control Set Aside	From Museum or Art to 36th Place		\$ 650,000
Funding of Bluff Erosion control from residual monies from Pedestrian Walkway savings and residual funds from other completed projects			\$ 650,000
Bluff Erosion Control Contract Cost to finish awarded 12/14			\$ (1,300,000)
Colorado Lagoon - Phase 2, Open Channel Preliminary Design	5114 E. Colorado St.	\$ 249,000	\$ 249,000
Junior Lifeguard Facility Rebuild	Junior Lifeguard Facility Rebuild	\$ 500,000	\$ 500,000
Lifeguard Towers	Replace 21 Portable Units Beach Shoreline	\$ 1,500,000	\$ 1,500,000
Marine Stadium Judging Stand	Boathouse Lane adjacent to Marine Stadium	\$ 460,000	\$ 460,000
Marine Stadium Restroom Demo	Boathouse Lane adjacent to Marine Stadium	\$ 100,000	\$ 100,000
Rainbow Harbor Wave Fountain	Aquarium Way - Rainbow Harbor	\$ 200,000	\$ 200,000

Project Name	Approximate Location	\$ Value of Incomplete or Uncommitted Projects	Est. \$ That Could be Reassigned
Rainbow Lagoon Improvements Set Aside	200 S Pine Ave	\$ 3,000,000	\$ 3,000,000
Beach Maintenance Fuel Storage Facility, Site 54	Beach Maintenance Yard	\$ 1,180,681	\$ 1,180,681
Rainbow Harbor Dock Repairs and Improvements	Rainbow Harbor	\$ 600,000	\$ 600,000
ABM Rebuild Support to Marina Fund	Alamitos Bay	\$ 15,100,000	
Aquarium Challenge Grant 2015-2019	Rainbow Harbor	\$ 7,500,000	
Beach Maintenance Yard Clarifier System for Beach Maintenance Yard Equipment	Beach Maintenance Yard	\$ 250,000	
Beach Restrooms and Concessions Stands Critical Repairs	Concession stands at Bayshore, Granada and Junipero/Cherry Beach	\$ 2,000,000	
Belmont Pool (unfunded portion from FY15)	4000 E Olympic Plaza	\$ 39,000,000	
Colorado Lagoon Restoration Required by Naples Seawalls Mitigation	5119 E. Colorado Street	\$ 5,000,000	\$ (5,000,000)
Critical Facility Repairs	TBD	\$ 1,920,000	\$ (80,000)
Aquarium Capital Reinvestment 2016-2019; \$250,000/year	Rainbow Harbor	\$ 1,000,000	
Beach Concession	Alamitos Beach Concession set aside	\$ 2,500,000	
Lifeguard Headquarters	Renovation of Facility	\$ 2,500,000	

Project Name	Approximate Location	\$ value of Incomplete or Uncommitted Projects	Est. \$ That Could be Reassigned
Miscellaneous Critical Projects TBD 2016, 2017, 2019	TBD	\$ 8,700,000	
Naples Seawalls Phase 2 Set Aside	Naples Island	\$ 11,800,000	
Naples Seawalls Phase 2 and 3 Set Aside	Naples Island	\$ 8,000,000	
Belmont Pier Set Aside	Belmont Pier	\$ 10,000,000	
Rainbow Lagoon Rebuild	Rainbow Lagoon	\$ 11,000,000	
Belmont Pier Set Aside	Belmont Pier	\$ 15,000,000	
Naples Seawalls Phase 2 & 3 Set Aside	Naples Island	\$ 12,000,000	

\$ value of Incomplete or Uncommitted Projects	Est. \$ That Could be Reassigned
\$ 231,616,450	\$ 73,366,450

TOTALS \$ 231,616,450 \$ 73,366,450



### Prioritization Criteria and Prioritization Process

Following are the suggested prioritization criteria.

1. Public Health and Safety - The extent to which the project impacts maintaining and improving public health and safety
2. Number of California residents impacted - The number of users of the project/facility and/or the California residents impacted
3. Urgency - The urgency of the project; the extent to which there are adverse ramifications if project is not done in the near term.
4. Poor Condition / High Need - The extent to which an existing facility is in poor repair or condition, or alternatively for a non-existing facility, the degree of unmet need.
5. Quality of Life - The extent to which the project adds to the quality of life for California residents, in accordance with the Coastal Act, with a focus on local residents quality of life as well.
6. Revenue Generation - The extent to which the facility will generate funds for the economy, Tidelands revenue, or other revenue. Operating expenses should be included in the evaluation.
7. Ability to Attract Additional Funding - The extent to which partially funding this project from Tidelands funds will result in additional funding from non-City sources to support the project financing.
8. Lack of Alternative Funding Sources - The extent to which this project lacks the ability to be funded from another non-City sources such as an assessment, donations, grant dollars, fees for service, or other means.
9. Capital Cost - A lower capital cost uses up less funding. The lower the net capital cost to Tidelands, the higher the score for this item

The following methodology could be used or a different process could be directed by the City Council. For each project, staff will evaluate each criterion by assigning a score, and, for ease of interpretation, will likely use colors to represent each score. Based on the overall scoring and the overall diversity and balance of the projects, the projects would be placed in a preliminary initial ranking. The City Council would review the recommendations (including the scoring) and then modify the prioritized list as the City Council believes is appropriate.

**CITY OF LONG BEACH**

DEPARTMENT OF FINANCIAL MANAGEMENT

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February 3, 2015

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Receive a report on the Strategy for the Tidelands Capital Budget and 5-Year Capital Plan and approve the Tidelands Capital prioritization criteria as listed in Attachment B of the report. (Citywide)

**DISCUSSION**

On October 8, 2014, staff provided a memo to the City Council stating that the changing price of oil required a revised strategy for the Tidelands Capital Budget and the 5-year Capital Plan. The Tidelands Capital Budget is funded entirely from oil revenues, and the low price of oil has greatly reduced the oil revenue that the City can rely on receiving. The attached memo dated December 31, 2014 provides the proposed strategy for Tidelands capital expenditures and preliminary information of the impact of the oil price on the Tidelands Operating Budget and the Uplands Oil Fund budget.

Staff will be recommending a prioritized list of outstanding Tidelands capital projects and assigning currently available funds to those projects for the Council's consideration. Prioritization will be based on criteria agreed upon by the City Council. Attachment B to the December 31, 2014 memo provides a suggested list of criteria and the prioritization process. Staff proposes using the criteria to rank projects in order of priority, subject to review and modification by the City Council. Following are the suggested prioritization criteria, in order of importance:

1. Public Health and Safety – The extent to which the project impacts maintaining and improving public health and safety;
2. Number of California Residents Impacted – The number of users of the project/facility and/or the California residents impacted;
3. Urgency – The extent to which there are adverse ramifications if the project is not done in the near term;
4. Poor Condition / High Need – The extent to which an existing facility is in poor repair or condition, or alternatively for a non-existing facility, the degree of unmet need;
5. Quality of Life – The extent to which the project adds to the quality of life for California residents, in accordance with the Coastal Act, with a focus on local residents quality of life as well;

6. Revenue Generation – The extent to which the facility will generate funds for the economy, Tidelands revenue, or other revenue. Operating expenses should be included in the evaluation;
7. Ability to Attract Additional Funding – The extent to which partially funding this project from Tidelands funds will result in additional funding from non-City sources to support the project financing;
8. Lack of Alternative Funding Sources – The extent to which this project lacks the ability to be funded from other non-City sources such as an assessment, donations, grant dollars, fees for service, or other means;
9. Capital Cost – A lower capital cost uses up less funding. The lower the net capital costs to Tidelands, the higher the score for this item.

Additionally, as a part of the review process, the City would consider the overall diversity and balance of the projects.

This matter was reviewed by Deputy City Attorney Amy R. Webber and by Budget Management Officer Victoria Bell on January 7, 2015.

#### TIMING CONSIDERATIONS

City Council action on this matter is requested on February 3, 2015 to allow staff to develop a preliminary suggested prioritization list of Tidelands capital projects. City staff will return to the City Council for review and approval of the prioritized project list before the end of the first quarter of 2015.

#### FISCAL IMPACT

There is no fiscal and/or local job impact associated with the recommendation at this time. The criteria is only intended to serve as a guide for staff to rank Tidelands capital projects according to priority. The final proposed list and any City Council modifications will have fiscal impacts on the City. Those impacts will be discussed at the time of City Council review at a later date.

#### SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



PATRICK H. WEST  
CITY MANAGER

## Attachment C

<b>Project</b>	<b>Priority Funded Amount</b>
<b>Belmont Pool</b> - Reserved (Not Appropriated, Construction Set Aside)	\$ 43,659,769
<b>Ocean Blvd. (Bluff) Erosion and Enhancement - Phase 2</b> (\$1.74m funded on 12/14/14)	\$ -
<b>Colorado Lagoon Restoration</b> Required by Naples Seawalls Mitigation (\$5.0m funded in FY15 Budget)	\$ -
<b>East San Pedro Bay Restoration Study</b> (Breakwater Study) Reserve	\$ 3,200,000
<b>Alamitos Bay Sorrento Trail</b> Implementation Set Aside	\$ 500,000
<b>Naples Seawalls Phase 2</b> - Design, Permitting and Construction Set Aside	\$ 15,000,000
<b>Seaside Way Pedestrian Bridge and Connections at Convention Center</b> Construction Set Aside	\$ 10,315,000
<b>Alamitos Beach Concessions (B-1) Facility</b> Planning, Design, and Construction Set Aside	\$ 4,423,000
<b>Bicycle Access Improvements at Ocean/Shoreline</b>	\$ 628,610
<b>Rainbow Harbor Commercial Sewer Pumpout System (EVAC) Replacement</b>	\$ 750,000
<b>Beach Maintenance Yard Clarifier System</b> for Beach Maintenance Yard Equipment (Regulatory/Water quality improvement)	\$ 250,000

Project	Priority Funded Amount
<b>Beach Playgrounds and Major Beach Nodes:</b> Basketball Courts near Junipero Parking Lot	\$ 200,000
<b>Beach Playgrounds: Cherry Beach Children's Playground</b>	\$ 1,500,000
<b>Colorado Lagoon - Phase 2, Open Channel</b> Preliminary Design and Permitting	\$ 250,000
<b>Beach Restrooms: Marina Vista Park MV-1</b>	\$ 600,000
<b>Bayshore Lifeguard Facility Rebuild</b>	\$ 674,681
<b>Belmont Pier Critical Repairs and Improvements</b>	\$ 100,000
<b>Staircase Rebuild at 11th Place</b> Design, Permitting and Construction	\$ 327,500
<b>Staircase Rebuild at Orizaba</b> Design and Permitting Set Aside (to fully fund construction, another \$250,000 is needed)	\$ 62,500
<b>Leeway Sailing Center Pier, Gangway, and Deck House Replacement</b> , and \$417,000 in critical repairs for Leeway classroom building	\$ 2,417,000
<b>Beach Restrooms and Concessions Stands</b> Critical Repairs at Junipero, Granada, and Bayshore South	\$ 2,000,000

<b>Project</b>	<b>Priority Funded Amount</b>
<b>Lifeguard HQ Facility Renovation Set Aside</b> (Preliminary Design, Planning and Permitting)	\$ 250,000
<b>Junior Lifeguard Facility Rebuild</b>	\$ 500,000
<b>Aquarium Wave Fountain at Rainbow Harbor</b> Engineering Design and Repairs Set Aside	\$ 200,000
<b>Pine Ave Pier Public Dock</b>	\$ 800,000
<b>Critical Facility Repairs</b> (Convention Center and other Facilities)	\$ 3,000,000
<b>Beach Restrooms: Colorado Lagoon (CL-S)</b> Rehabilitation Improvements	\$ 250,000
<b>Beach Restrooms: Marina Vista Park 2N</b> Rebuild	\$ 634,000
<b>Belmont Pier Feasibility Study</b>	\$ 200,000
<b>Rainbow Lagoon Pumps Replacement</b>	\$ 700,000
<b>LED Lighting and Safety Improvements</b>	\$ 100,000

<b>Project</b>	<b>Priority Funded Amount</b>
<b>Beach Parking Lot at Leeway Sailing Center</b>	\$ 596,500
<b>Marine Stadium Judging Stand Rehabilitation</b>	\$ 200,000
<b>Beach Parking Lot Improvements at Belmont Pool / Granada Lot (partial parking lot rebuild)</b>	\$ 1,000,000
<b>Marine Stadium Restroom Demo</b>	\$ 125,000

**Total Programmed: \$ 95,413,560**

## Attachment D

<b>Project</b>	<b>Projects Awaiting Funding</b>
<b>Belmont Pool</b> (unfunded portion)	\$ 43,000,000
<b>Miscellaneous Critical Repair Projects</b> (Convention Center and Other Critical Facilities)	\$ 8,700,000
<b>Naples Seawalls Phase 3 Set Aside</b>	\$ 20,000,000
<b>Lifeguard Headquarters</b> Historic Building Rehabilitation and Improvements	\$ 5,000,000
<b>Rainbow Lagoon Improvements</b>	\$ 3,000,000
<b>Beach Restrooms:</b> Rainbow Harbor Lighthouse, Pierpoint Landing and Shoreline Village Drive Rehabilitation	\$ 3,000,000
<b>Aquarium Capital Reinvestment 2016-2019;</b> \$250,000/year	\$ 1,000,000
<b>LED Lighting and Safety Improvements</b>	\$ 505,000
<b>Levitt Pavilion Study Set Aside</b>	\$ 200,000
<b>Orizaba Stairway Rebuild</b> (Construction)	\$ 300,000



<b>Project</b>	<b>Projects Awaiting Funding</b>
<b>Leeway Sailing Center Facility Rebuild</b>	\$ 5,500,000
<b>Belmont Pier Rebuild Set Aside</b>	\$ 25,000,000
<b>Lifeguard Towers</b>	\$ 1,500,000
<b>Aquarium Challenge Grant 2015-2019</b>	\$ 7,500,000
<b>Rainbow Lagoon Rebuild</b>	\$ 11,000,000
<b>Peter Archer Rowing Center Dock Replacement</b>	\$ 700,000
<b>Beach Parking Lot Resurfacing at Marine Stadium</b>	\$ 596,500
<b>Beach Maintenance Fuel Storage Facility, Site 54</b>	\$ 1,180,681

**Total: \$ 137,682,181**